



REPUBLIC OF KENYA

STATEMENT BY THE GOVERNOR FOR KENYA DURING THE EBRD'S 35TH ANNUAL MEETING AND BUSINESS FORUM HELD IN RIGA, LATVIA | JUNE 2026

THEME: THE EBRD'S ROLE IN SUPPORTING ECONOMIES AFFECTED BY THE IMPACT OF CONFLICT

1. The Government of the Republic Kenya feels highly honoured and also appreciates the opportunity to participate in this Annual Meeting, which is the 35th Annual Meeting and Business Forum of the European Bank for Reconstruction and Development (EBRD). We are grateful to the Latvian authorities for hosting this Annual meeting and also to the organizers for their tireless efforts in coordinating all the arrangements.
2. Kenya is happy to inform of the successful negotiation and signing of the Host Country Agreement for the EBRD's Sub-Saharan Africa Regional Office in Nairobi and notes with satisfaction Kenya's accession as the 79th shareholder of the EBRD in July 2025. The Nairobi office represents a critical operational platform to translate strategic commitments into concrete investment and advisory support.
3. This statement focusses on the theme: "*The EBRD's Role in Supporting Economies Affected by the Impact of Conflicts*". Kenya aligns itself with the view that the effects of conflict are not confined to the nations in which they happen. The conflicts generate spillover effects through trade and financial channels, thereby amplifying instability across many economies, posing risks to global growth, Kenya not excluded.
4. The geopolitical tensions and conflict in the Middle East have disrupted the global supply chains and Kenya has experienced negative effects in its exports to Middle East as well as hikes in prices of fuel imports. In this regard, EBRD's mandate to support economies in transition must therefore be underscored in the broadest sense and scaled up, recognizing that economic disruption caused by conflict has spillover effects.
5. Kenya notes with concern the structural vulnerabilities exposed by the Middle East conflict. Kenya imports petroleum imports under a Government to Government (G to G) arrangement from Middle East state-linked firms: Saudi Aramco, Abu Dhabi

National Oil Company (ADNOC), and Emirates National Oil Company (ENOC). These imports account for about 20 percent of Kenya's total import bill.

6. The Middle East accounts for approximately 30 percent of Kenya's imports and 7.5 percent of Kenya's exports. We have noted delays in imports, higher costs, and reduced export demand. Due to the impact of the conflict over the last two months, we have revised the growth outlook to **5.0 percent in 2026** from the earlier projection of

5.3 percent. This assumes the conflict will be short-lived but if protracted, growth will be revised further down.

7. Due to the conflict, energy prices have risen sharply transmitting to elevated pump prices. In April and May 2026, domestic pump prices for Petrol and diesel have increased significantly translating to increased transport and production costs on key sectors - manufacturing, transport and storage, and wholesale and retail trade. Further, global supply chains are constraining the flow of goods and services and dampening both exports and import performance. As a result, inflation rose to 5.6 percent in April 2026 from 4.1 percent in April 2025 and is expected to rise further in May 2026 due to the increased pump prices announced by the Energy and Petroleum Regulatory Authority (EPRA) on 14th May 2026.
8. The most affected sectors:
 - i. **Tea Exports are at a great Risk:** Major tea markets for Kenya include: Pakistan, United Arab Emirates, Saudi Arabia, Yemen and Iran.
 - ii. **Fertilizers and its availability:** Kenya Government has been providing fertilizer subsidy since 2023 as part of its priority to support agricultural productivity and ensure food security for all. While the country received sufficient quantity of fertilizers for the current farming cycle, the next planting cycle remains at a risk of food insecurity if the logistics for trade at the Strait of Hormuz are not normalized by then.
 - iii. **Kenya's livestock exports:** Approximately, 85 percent of live animal exports and 68.9 percent of meat exports are exported to the Gulf Cooperation Council (GCC) countries, especially the UAE and Saudi Arabia. The disruptions in Gulf markets have caused estimated revenue losses of KSh 250 billion per week.
 - iv. **Capital Markets:** Between February and April 2026, the NSE 20 Share Index declined by 3.4 percent, as investors were cautious of the rising global uncertainty caused by the conflict in the Middle East.
 - v. **Tourism, Aviation and Logistics:** Higher transport costs, disrupted trade routes, and weaker travel demand continue to affect tourism and aviation. The tourism sector faced downside risks from higher international travel costs, geopolitical uncertainty and reduced consumer confidence in long-haul travel.

Airspace restrictions, rerouting, and tighter security measures affected this sector at the start of the conflict.

- vi. **Diaspora Remittances:** Remittance flows remain one of Kenya's largest sources of foreign exchange and an important support to household incomes. Approximately 500,000 Kenyans are employed in the Middle East, mainly in GCC countries. Many are concentrated in service industries, especially the hospitality sector. This creates heightened exposure to economic disruptions arising from regional instability. This may lead to job losses, income disruptions, contract terminations and delayed salary payments.
 - vii. **Revenue Risk:** Disrupted trade flows, elevated fuel costs, subdued domestic demand and slower economic activity continue to affect revenue collections. Indicators point to declining import volumes and shipment delays across entry points, reflecting supply chain disruptions.
9. Based on the foregoing, Kenya urges the EBRD to prioritize five targeted areas of intervention in its engagement with Sub-Saharan African economies affected by conflict-driven economic shocks.
 10. First, Kenya calls for the establishment of an Emergency Fuel Price Stabilization Facility, offering concessional financing and budget support to assist eligible countries in funding fuel stabilization programmes and building strategic petroleum reserves that strengthen economic resilience.
 11. Second, Kenya supports the scaling up of multilateral financing for domestic fertilizer production and agro-industrial development. Evidence-based simulations indicate that targeted support for fertilizer blending plants and agro-processing industries can increase domestic fertilizer output by over 10 percent and meaningfully reduce import dependence, contributing to food security and economic stability.
 12. Third, Kenya welcomes the EBRD's commitment to green economy transition financing and calls on the Bank to expand concessional climate finance for solar, wind, geothermal, and e-mobility infrastructure across Sub-Saharan Africa. Evidence indicates that such investment can reduce petroleum fuel demand by over 12 percent while increasing green energy supply by nearly 20 percent, delivering durable energy security alongside climate objectives.
 13. Fourth, Kenya urges the EBRD to support trade and supply chain diversification through financing for port infrastructure, railways, and dry port facilities. Kenya's ambition is to reduce its Middle East import concentration from 58 percent to a targeted 30 percent, thereby strengthening resilience against future external shocks and advancing the principles of economic sustainability and integration.

14. Fifth, Kenya calls for the provision of emergency social protection financing, including budget support for cash transfer programmes, school feeding initiatives, and relief for micro, small and medium-sized enterprises. The protection of vulnerable households from the compounding effects of rising fuel and food costs must be recognized as a core dimension of the EBRD's inclusive growth agenda.
15. Kenya congratulates the EBRD on its continued record investment volumes and looks forward to working closely with the Bank, fellow shareholders, and partner institutions to ensure that the needs of economies affected by conflict-driven shocks are fully reflected in the Bank's programming, strategies, and resource allocation, with the objective of reducing global imbalances.
16. The outcomes Kenya seeks are clear and consistent with the EBRD's own strategic priorities: stabilized prices, protected households, stronger energy security, resilient supply chains, and sustainable long-term growth.
17. Kenya reaffirms its commitment to stronger and mutually beneficial partnership with the EBRD and to the shared principles of open markets, good governance, and inclusive economic development that underpin the Bank's mandate. It is in this spirit that Kenya looks forward to engaging constructively with the Bank and its members to advance our common developmental goals. **I Thank You!**

Hon. FCPA John Ng'ongo Mbadi, EGH
GOVERNOR FOR KENYA